

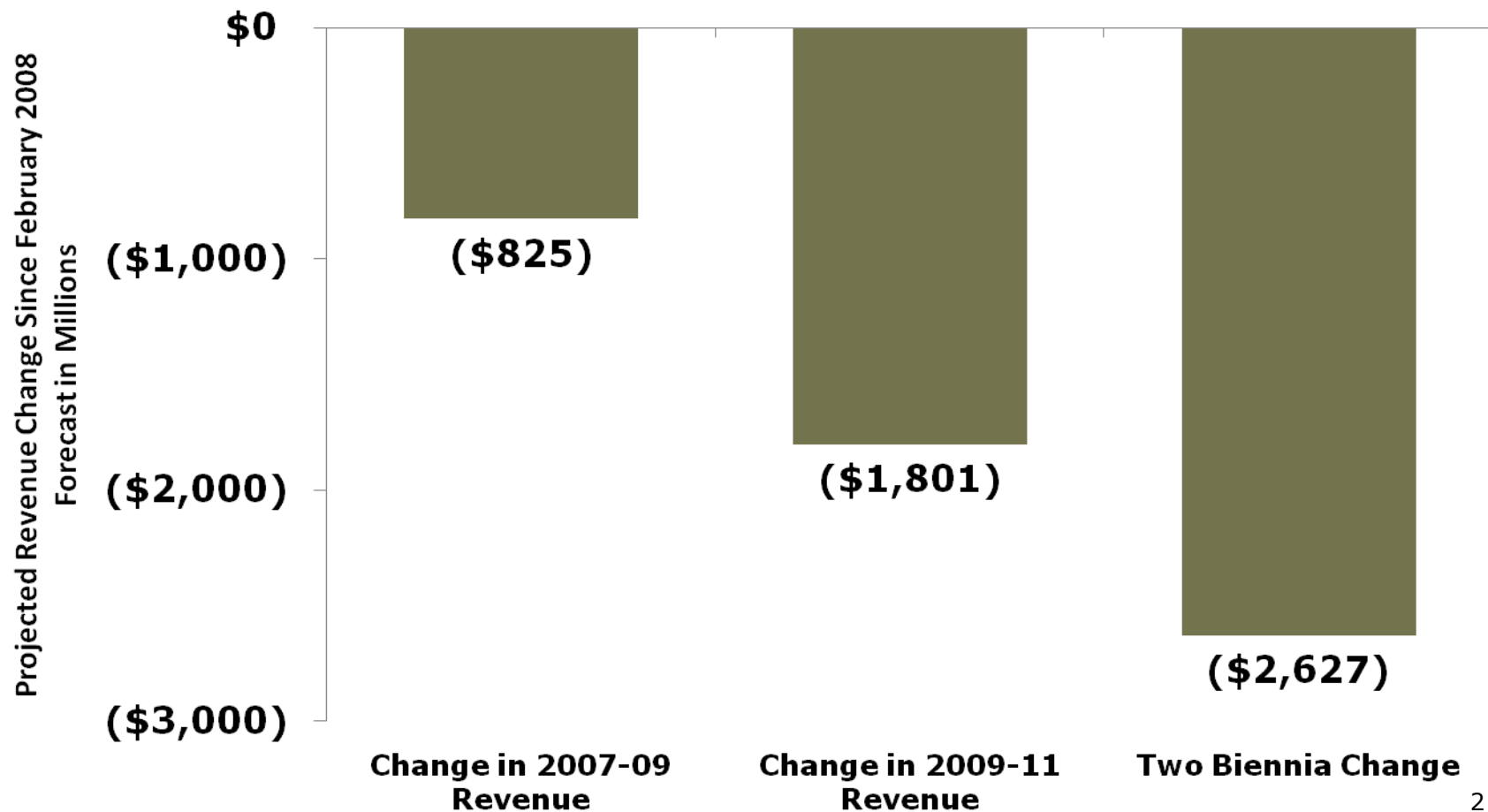
2009-11 Budget Outlook

Prepared by Senate Ways and Means Committee Staff

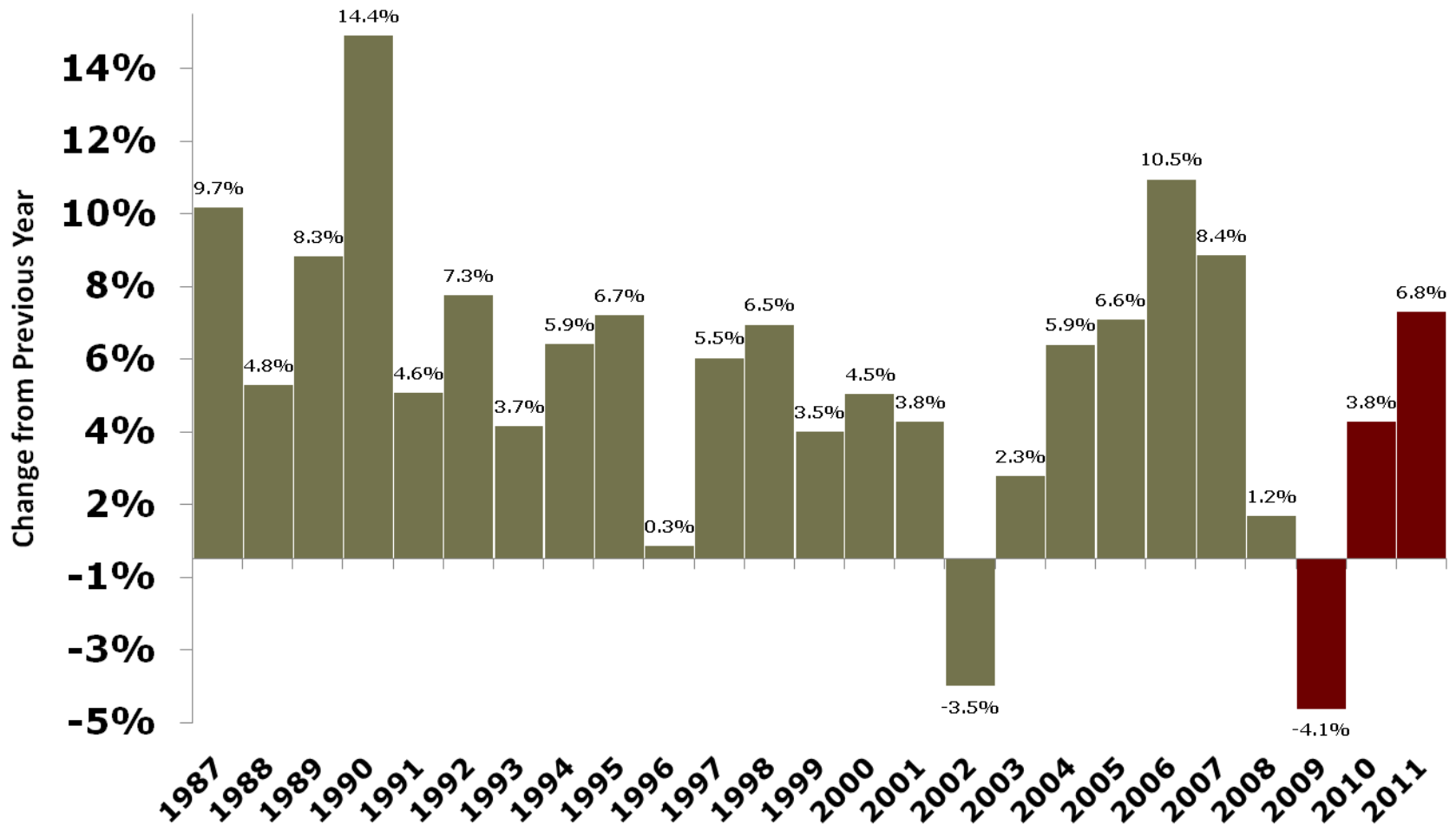
December 4, 2008



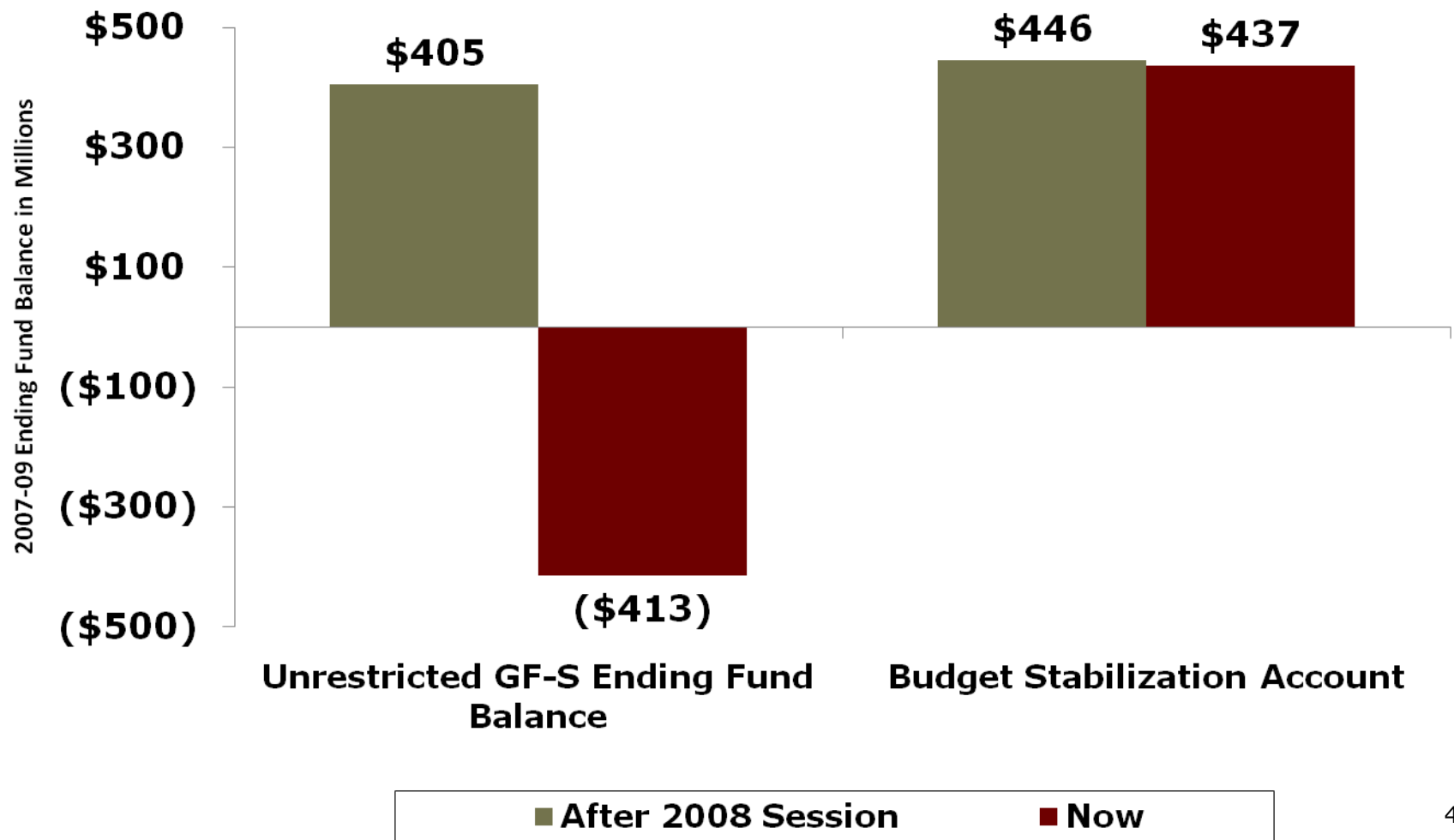
Since session, projected general fund state revenues have declined by over \$2.6 billion



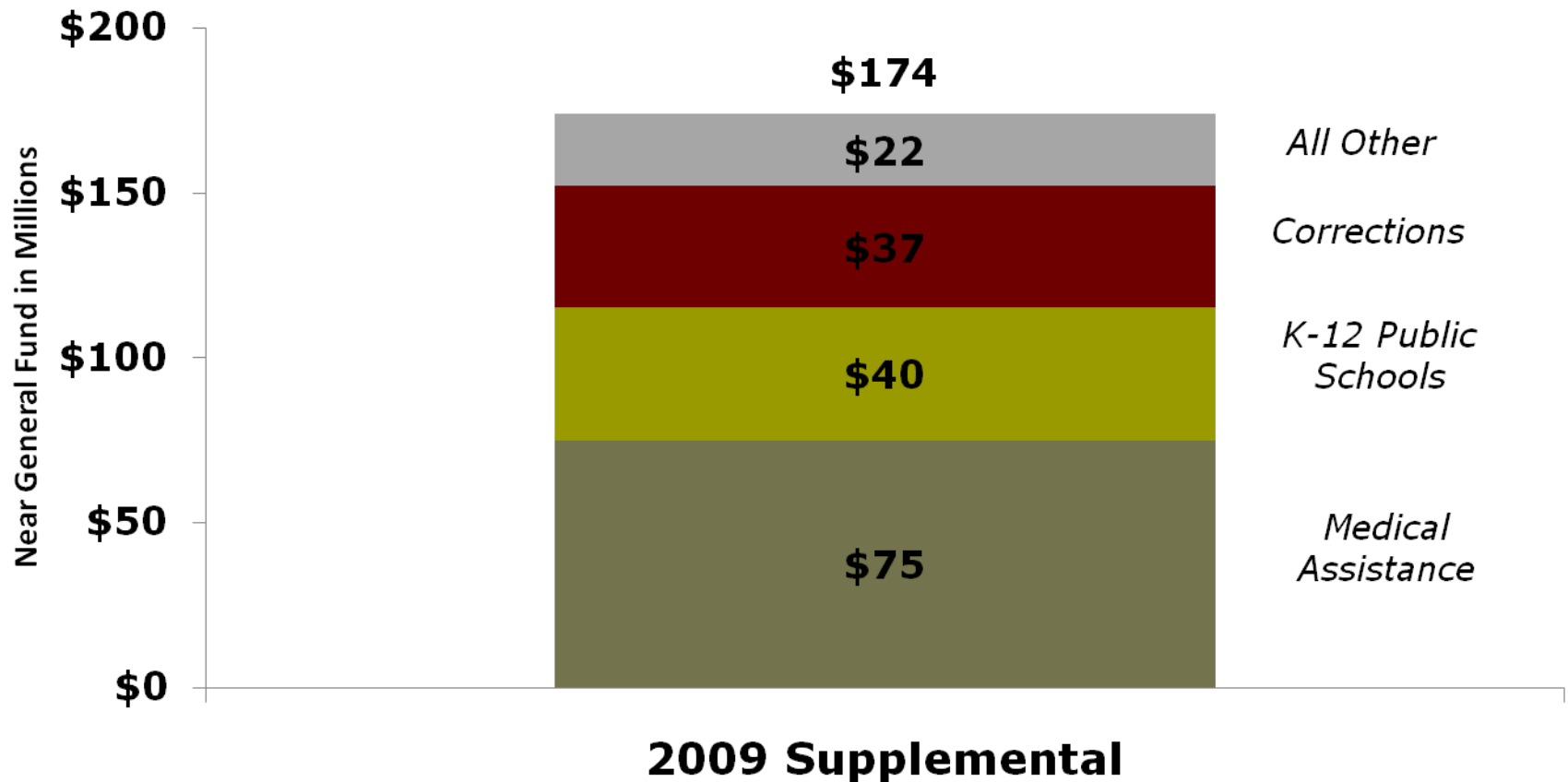
In fact, under the latest forecast, general fund revenue is expected to have its steepest decline in over twenty years



As a result, anticipated reserves have declined significantly

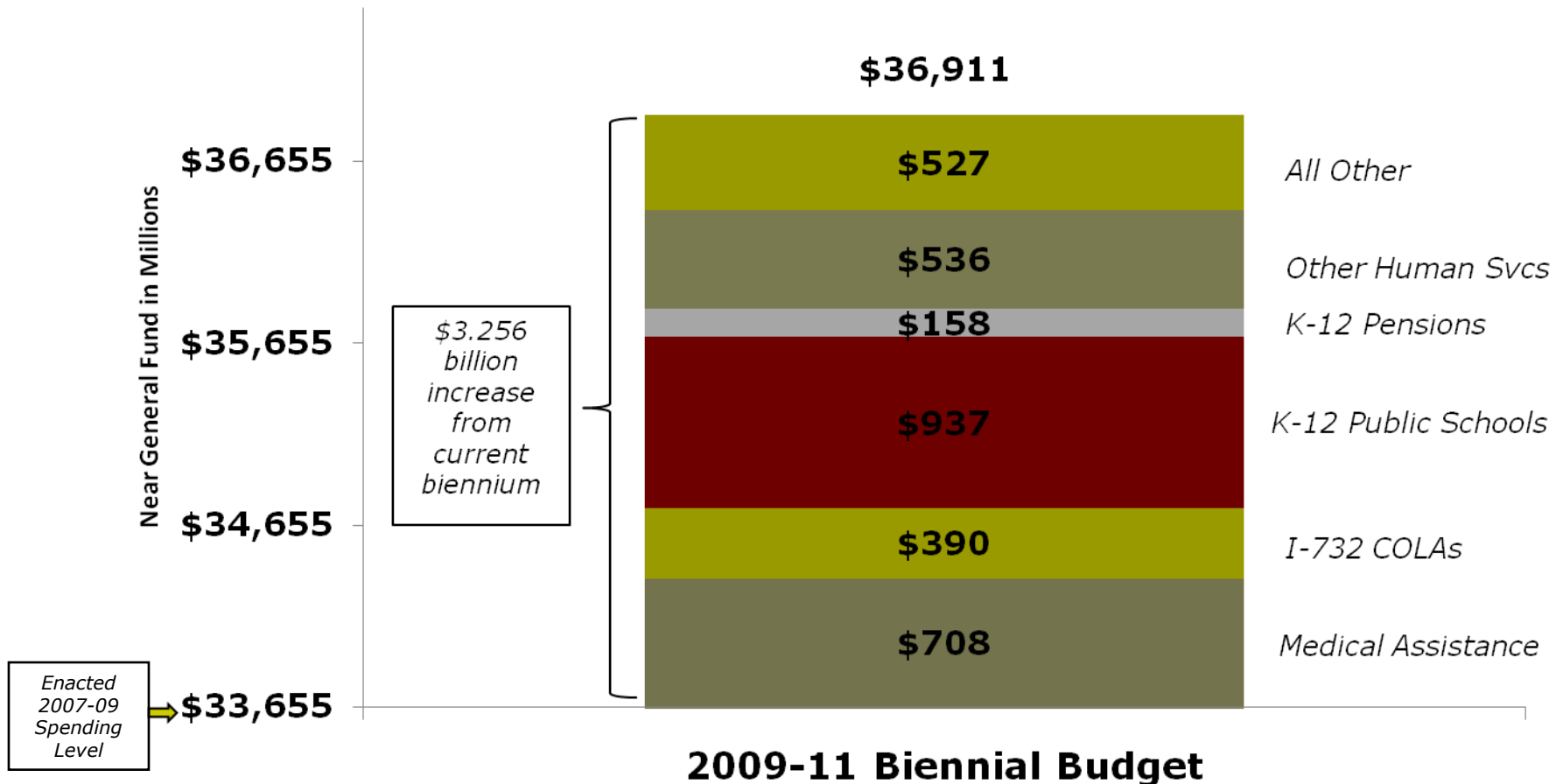


Due to higher caseloads and other increases, the 2009 supplemental is expected to be about \$174 million

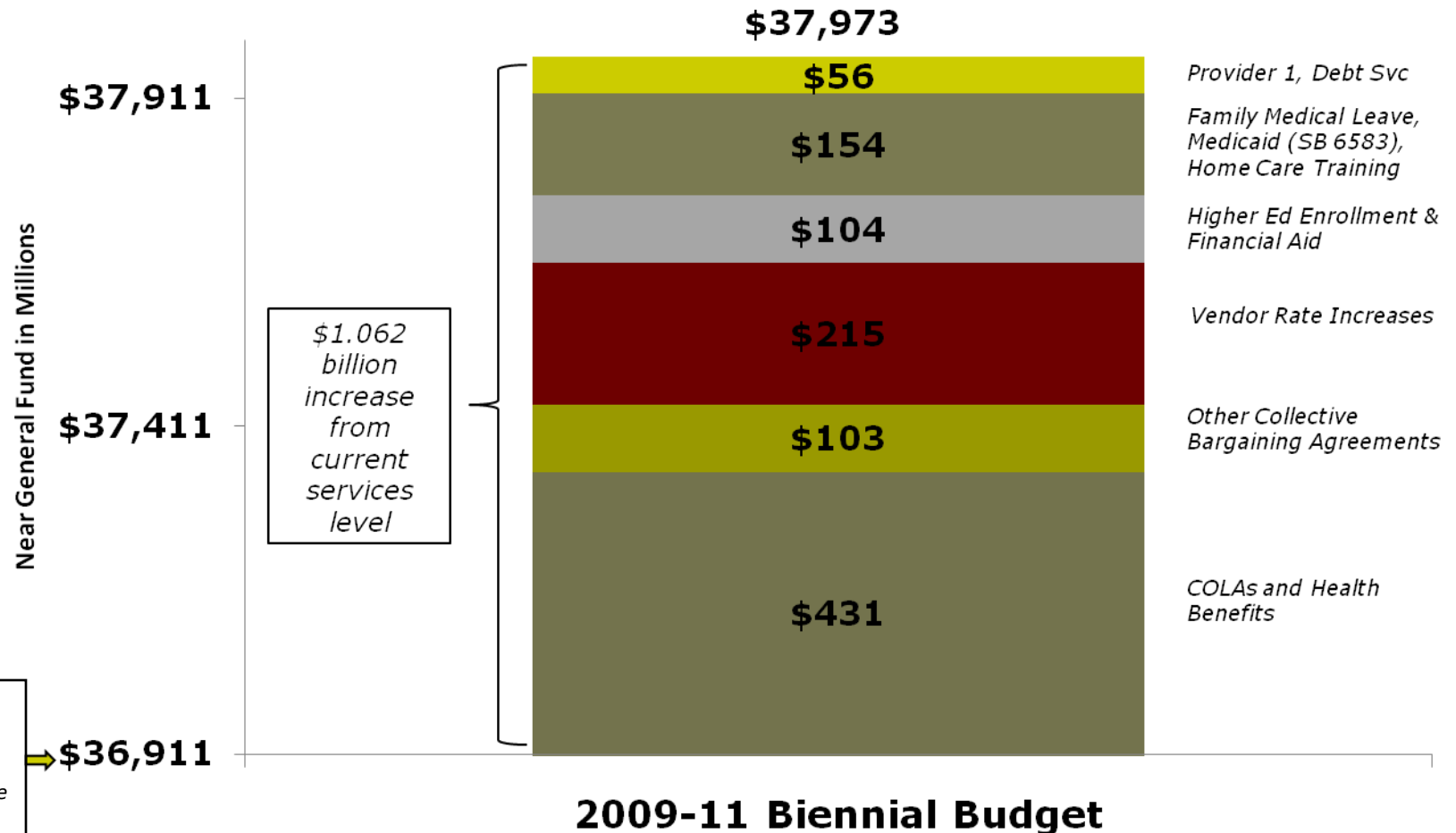


* This reflects the impact of caseload, inflationary, and other increases on the 2007-09 biennium near general fund spending level before accounting for any across-the-board, targeted reductions, or similar measures.

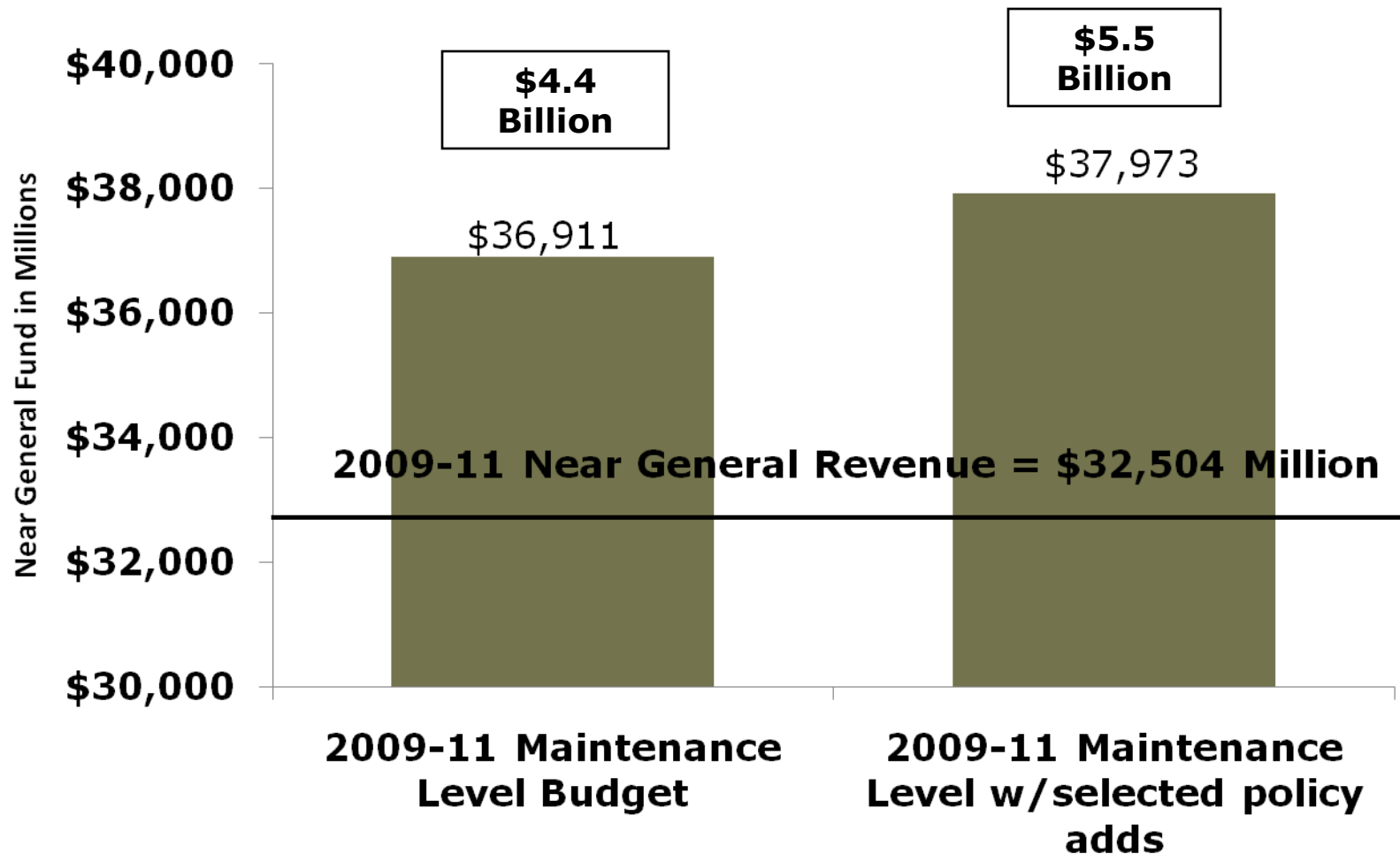
For the next biennium, in order to maintain current services, near general fund spending is projected to increase by \$3.3 billion or 10 percent from current levels



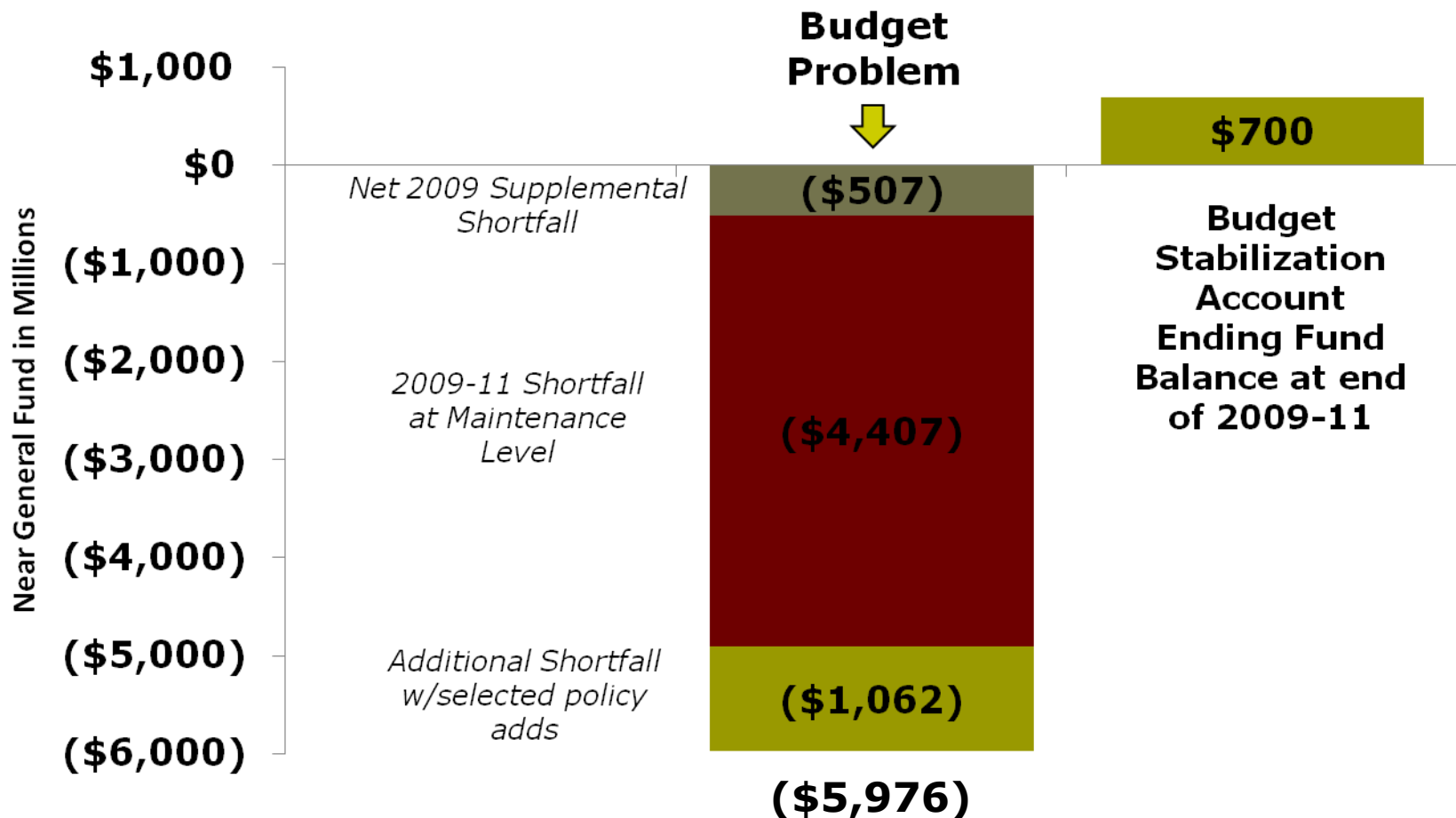
Just some of typical policy level increases usually considered by the Legislature total over \$1 billion



This means that near general fund spending could exceed projected revenues next biennium by \$4.4 to \$5.5 billion



Including the shortfall for this biennium, this means that the total budget problem could reach nearly \$6 billion not including the \$700 million in the "Rainy Day Fund"



* The 2009 shortfall amount reflects the \$174 million increase in spending offset by the reserves available in the near general fund.

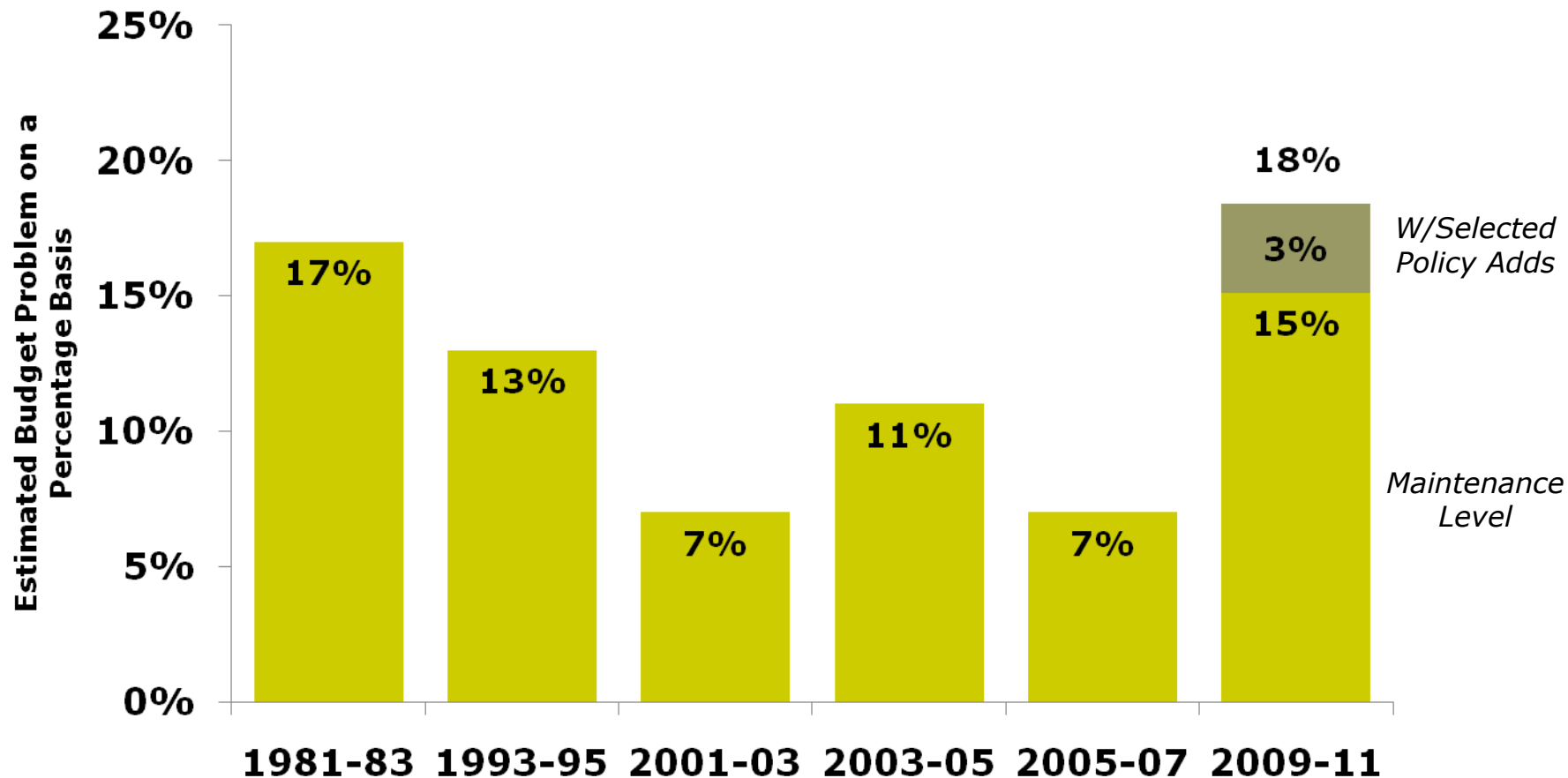


What Are Ways to Solve the Budget Problem?

- ◆ Eliminate or greatly reduce state programs or services.
- ◆ Adopt increases in revenue.
- ◆ Borrow money to address cash flow and/or for the overall budget problem.
- ◆ Some combination of the above.

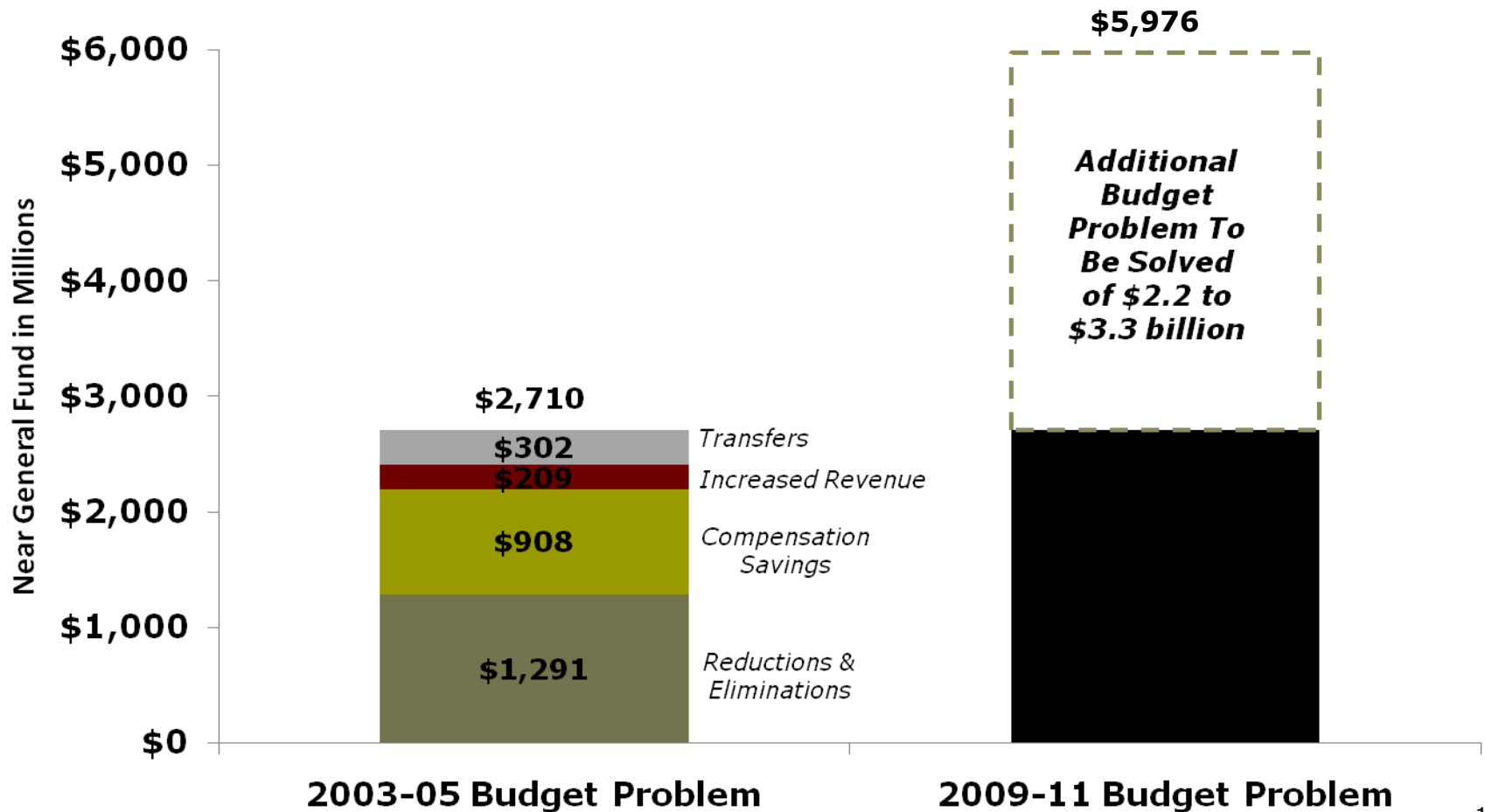
The Budget Problem in Context

The magnitude of the current budget problem appears comparable to the 1981-83 downturn



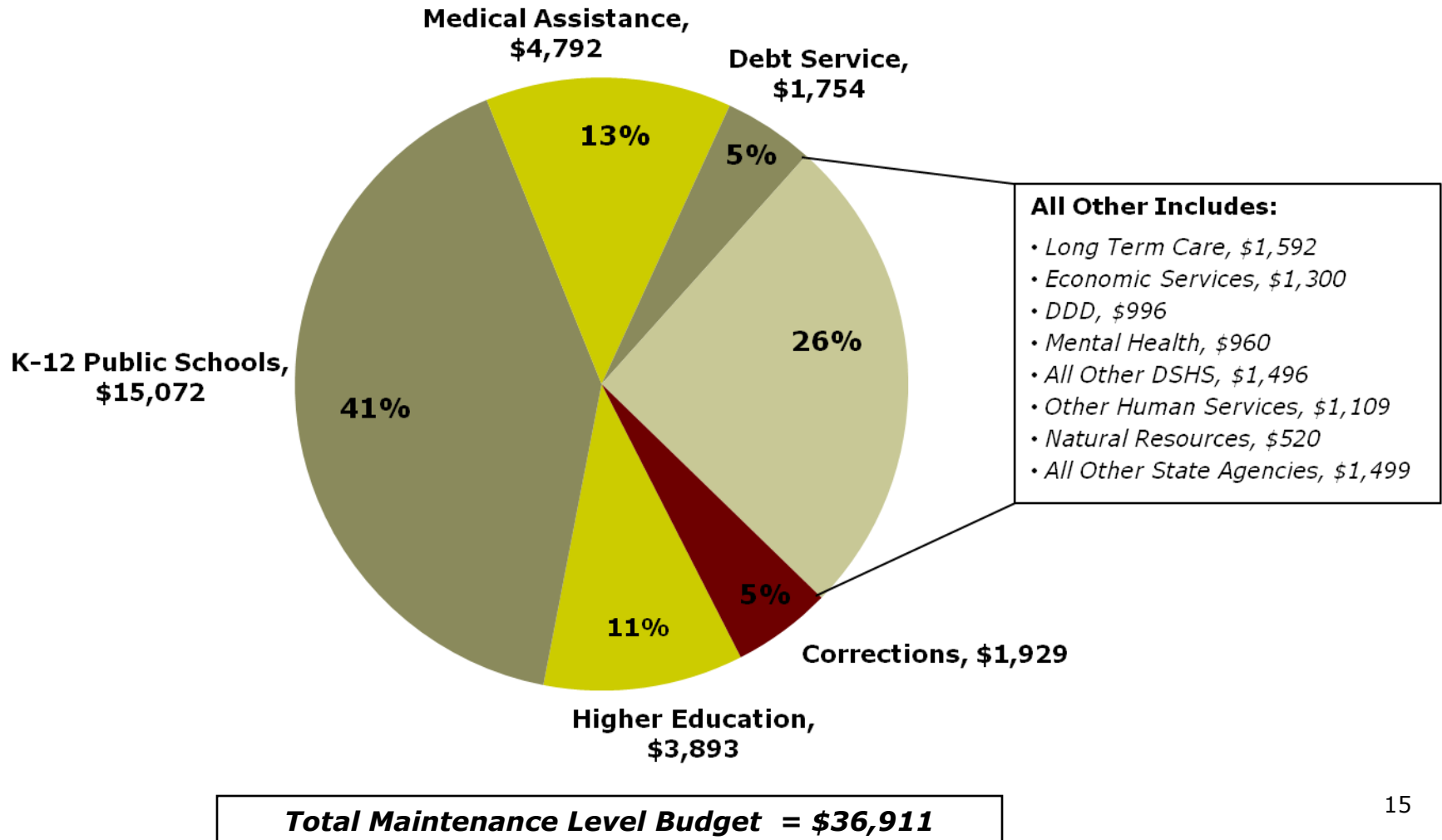
* It should be noted that these are estimated budget problems based on available information. In some cases, information for prior fiscal periods might not be comparable.

If the Legislature were to take similar actions to the ones taken in 2003-05 biennium, there would still be a budget problem of \$2 to \$3 billion



Appendix

About three-fourths of the operating budget is spent in five areas



Selected Policy Adds

	<u>(\$ in Millions)</u>
COLAs and Health Benefits*	
State Employees (Collective Bargaining Agreement COLAs)	\$95
State Employees (Collective Bargaining Agreement Health Benefits)	45
Non-Represented State Employees (COLAs)	92
Non-Represented State Employees (Health Benefits)	70
K12 Health Benefits (Parity)	<u>128</u>
COLAs and Health Benefits	\$431
Other Collective Bargaining Agreements	
Home Care Workers (w/Parity)	\$72
Child Care Workers (w/Parity)	21
Adult Family Homes	<u>9</u>
Other Collective Bargaining Agreements	\$103
Other Policy Items	
Vendor Rate (2%/2% in September)	\$215
Higher Education & Financial Aid	104
Family Medical Leave Act	72
Medicaid (SB 6583)	53
Debt Service for 2009-11 Capital Budget	39
Home Care Training (I-1029, HB 2284)	29
DSHS: Provider 1	17
Other Policy Items	\$528
Total Selected Policy Adds	\$1,062

* In addition to these amounts, \$390 million is provided at maintenance level for I-732 COLAs.

Overview of 2003-05 Budget Solution

Reductions & Eliminations	<u>\$ in Millions</u>
Basic Health Plan Reductions	\$368
Delayed Additional I-728 Class Size Enhancement	237
Reduced Higher Education Spending	131
Eliminated Medically Indigent Program	105
Across-the-Board, Inflation, and Other Similar Reductions	87
Corrections – Sentencing and Supervision Changes	46
All Other Savings	317
Reductions & Eliminations	\$1,291
Compensation Savings	
Suspended I-732 COLAs	\$490
Eliminated COLAs for State and Higher Education Employees	213
Deferred Making Unfunded Pension Liability Payments	87
Suspend I-775 (Home care worker contract)	67
Eliminated Funding for Salary Survey Increases	51
Compensation Savings	\$908
Increased Revenue	
Tax Collection and Miscellaneous Other Revenue Legislation	\$79
Nursing Home Quality Improvement Fee	78
Additional DOR Auditors	32
Liquor Surcharge & Additional Liquor Stores	20
Increased Revenue	\$209
Fund & Spending Transfers	
Emergency Reserve Transfer	\$59
Reduced GF-S Backfill to Water Quality Account	28
Other Fund Transfers	54
Higher Education Maintenance Transfer	52
Other Program Transfers	109
Fund & Spending Transfers	\$302
TOTAL BUDGET SOLUTION	\$2,710